

Message Text

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C O N F I D E N T I A L CAIRO 9328

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E.O. 11652: GDS

SUBJECT: FY 1976 CONGRESSIONAL PRESENTATION (CP)

REF: CAIRO 9142

1. GOFI HAS FURNISHED PART OF MATERIAL CITED PARA. 6 OF REFTEL.
OUR REVIEW THIS MATERIAL AND FURTHER MEETINGS WITH GOFI HAVE
HELPED CLARIFY OVERALL SITUATION.

2. IECO PREPARED BASIC STUDY ON BEHALF OF JOINT VENTURE GROUP TO
DTERMINE FEASIBILITY OF SPONGE IRON PRODUCTION AND DEALT WITH
PORT FACILITIES ONLY TO EXTENT NECESSARY TO MAKE THAT DETERMINATION.
PORT DEVELOPMENT NECESSARY FOR THE SPONGE IRON PROJECT INCLUDES:

A. DREDGING - CHANNEL, TURNING BASIN AND PIER - ESTIMATED
COST \$23.2 MILLION;

B. CONSTRUCTION OF BREAKWATER - ESTIMATED COST \$13.6 MILLION;

C. CONSTRUCTION OF PIER - ESTIMATED COST \$16.4 MILLION.

3. RESPONSIBLE FOR PROVIDING ALL INFRASTRUCTURE FOR THE SPONGE
IRON PROJECT, INCLUDING NECESSARY PORT FACILITIES, BUT ALSO
INTERESTED IN EXPANDING THE INITIAL PORT FACILITIES BEYOND THOSE
REQUIRED FOR THE PROJECT, THE GOE CONTRACTED WITH IECO TO:

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A. INVESTIGATE SITE CONDITIONS IN DIKHEILA BAY:

(1) CONDUCT ACOUSTIC-SEISMIC SURVEYS TO IDENTIFY GEOLOGICAL FORMATIONS AND OTHER SITE CONDITIONS; (2) CORRELATE ACOUSTICAL-SEISMIC SURVEY WITH EXISTING BORE-HOLE DATA; AND (3) SUPERVISE A DRILLING PROGRAM TO PROVIDE CORRELATION PROFILE.

B. PREPARE BID DOCUMENTS FOR PIER, BREAKWATER, QUAY WALLS AND DREDGING: (1) PREPARE BASIC CONTRACT DRAWING; (2) PROVIDE GENERAL AND SPECIAL CONDITIONS FOR TENDER; AND (3) DEVELOP BID DOCUMENTS INCLUDING BILL OF QUANTITIES, TECHNICAL SPECS, ETC.

C. ASSIST PREQUALIFICATION OF CONSTRUCTION CONTRACTORS.
ADDITIONAL COSTS IDENTIFIED FOR DEVELOPMENT BEYOND THAT REQUIRED BY THE SPONG IRON PLANT ARE \$25.8 MILLION FOR DREDGING AND \$102.4 FOR CONSTRUCTION OF QUAY WALLS. WORK UNDER THIS IECO CONTRACT IS COMPLETE EXCEPT FOR BID CODUMENTS, COPIES OF WHICH WILL BE PROVIDED US AS SOON AS AVAILABLE.

4. IECO WORK APPARENTLY INDICATES THAT PHASE I IS TECHNICALLY FEASIBLE BUT NO ECONOMIC ANALYSIS UNDERTAKEN BEYOND PRELIMINARY ESTIMATES OF TOTAL COSTS. HOWEVER, GOFI'S SCOPE OF WORK FOR PROPOSED NEW CONTRACT FOR MASTER PLAN INCLUDES REQUIREMENT, RELATIVE TO PHASE I, FOR CALCULATION OF INTERNAL RATE OF RETURN BASED ON SEVERAL REASONABLE ASSUMPTIONS, PROBABILISTIC AND SENSITIVITY ANALYSES, THUS CONSTITUTING A COMPLETE FEASIBILITY STUDY OF PHASE I.

5. (USAID COMMENT: WE RECOGNIZE THAT ONE ASSUMPTION OR VARIABLE IN FEASIBILITY STUDY WOULD BE EXISTENCE OF, AND PORT USE BY, SPONGE IRON PROJECT. HOWEVER, GOFI INTENDS THAT AREA IN IMMEDIATE VICINITY OF PORT TO BE RESERVED FOR OTHER INDUSTRIAL DEVELOPMENT AS WELL. FEASIBILITY STUDY WILL UNDOUBTEDLY CONSIDER THE EFFECTS OF SUCH INDUSTRIAL DEVELOPMENT, THE TYPES AND TIMING BEING A VARIABLE. MOREOVER, GIVEN THE PRESSING NEED OF ALEXANDIRA PORT FOR ADDITIONAL BERTHS (SEE PARA 2.2.8 OF MAY 1975 HARRIS REPORT), FEASIBILITY OF DIKHEILA DEVELOPMENT APPEARS ASSURED ON INTEGRATED USE ALONE, PARTICULARLY SINCE PROPOSED PHASE ONE PIER WOULD BE SUITABLE FOR HANDLING MANY TYPES OF BULK CARGO. THUS, WHILE PROGRESS ON SPONGE IRON PROJECT AND/OR OTHER FACTORS AFFECTING OVERALL PORT REQUIREMENTS COULD WELL BE IMPORTANT TO TIME-PHASING OF PORT DEVELOPMENT, WE HAVE LITTLE DOUBT THAT PORT FACILITIES OF SOME MAGNITUDE WILL BE

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FOUND JUSTIFIABLE REGARDLESS OF THE FUTURE OF THE SPONGE IRON PROJECT.)

6. GOFI FEELS STRONGLY THAT WORK DONE THUS FAR BY IECO RELATING TO THE PIER, BREADWATER DREDGING AND QUAY WALLS CONSTITUTES A PRELIMINARY DESIGN IN SUFFICIENT DETAIL TO: (1) PROCEED WITH CONTRACTING FOR THE DETAILED DESIGN, AND (2) PROCEED TO BIDDING ON THE CONSTRUCTION CONTRACT. HOWEVER, THEY INTEND TO DELAY ACTUAL

AWARD ON THE CONSTRUCTION CONTRACT UNTIL THE MASTER PLAN STUDY IS
COMPLETE, NOW ESTIMATED TO BE ABOUT 1 MARCH 1976.
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